

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-322-C - ORDER NO. 90-727 ✓
JULY 26, 1990

IN RE: Petition of GTE South, Inc. to Introduce) ORDER
 an Optional Usage Sensitive Service) APPROVING
 Offering in the State of South Carolina) TARIFF

On March 14, 1990, GTE South, Inc. (GTE) filed a request for approval of revisions to its General Customer Services tariff. The purpose of these revisions is to introduce an Optional Usage Sensitive Service in GTE's exchanges except for the Laurens cluster, where the technology required to provide the offerings is not in existence at this time. Also included in this filing is a proposal to change the per message rate for Public Telephone Access for Customer-Provided Equipment and for Sharing and Resale of Basic Exchange Service to be consistent with usage rates proposed for this filing for Optional Usage Sensitive Service. The tariff was filed and processed in accordance with the Commission's established procedures.

A public hearing was held on July 11, 1990, in the Offices of the Commission. The Consumer Advocate intervened but did not participate in the hearing.

Testimony was submitted on behalf of GTE by David A. Parries, Staff Product Manager, IntraLATA Services, GTE Telephone

Operations.

Based on the evidence in the record, the Commission makes the following findings of fact and conclusions of law:

1. Optional Usage Sensitive Service (USS) will cause the rates of many subscribers to be reduced. GTE testified that USS for local exchange calling in South Carolina offers GTE's customers an alternative to flat rate basic local exchange service. With USS, customers have the opportunity to save money on their monthly local exchange bills given moderate calling volumes and patterns. The alternative of Optional USS is a fairer method of billing for local access than flat rates. Under a flat rate system low to moderate users of local telephone service subsidize the heavy users by paying the same rate. With Optional USS subscribers only pay for the local service they use. With the fully Optional USS offering such as GTE South is proposing, all USS subscribers should save money compared to the flat rates they were previously paying. While the rate development is intended to be revenue neutral for the average flat rate local service customer, almost every customer who opts for USS will likely be a low to moderate user of local telephone service and will save money. Otherwise, the USS subscriber would make a decision to return to flat rate local exchange service if the flat rate proved to be more economical.

2. GTE's initial loss of revenue after implementing USS will be very small. GTE South testified that it does expect a small initial loss of revenue due to implementation of Optional

USS in South Carolina. The estimated annualized revenue impact for year one of (\$126,759) equates to approximately one-tenth of one percent of GTE South's total current operating revenue in the State of South Carolina. GTE testified that this expected revenue impact is considered minimal and it does not believe that there will be a need to come in for any rate relief due to this impact. GTE will counteract some of this anticipated revenue impact by attempting to stimulate USS usage through various commercial activities shortly after implementation.

3. GTE benefits by a potential shift of calling from peak periods to off peak periods of the day. GTE's proposed USS usage rates are discounted 60% during evenings, weekends, and certain holidays which should help relieve some of the demands on GTE's network equipment at peak periods.

4. Optional USS will be available to all residential customers and to business individual, manual, and automatic access line customers.

5. USS usage would only be charged on completed outgoing calls. Optional USS subscribers will not have to pay for incoming calls or for any type of uncompleted call. There would no USS charges for calls made to GTE South's business office, repair service, directory assistance or for 911 emergency service. The proposed Local Usage Sensitive Service minute of use rates are integrated with GTE South's Measured Extended Area Service (MEAS) rates for Horry and Georgetown County customers.

6. GTE South will have the capability of offering Optional

USS to all customers in South Carolina by the end of 1990, when the Company has implemented 100% Stored Program Control (SPC), digital switching. GTE South is planning a two phase implementation with this filing constituting Phase 1. Optional USS would be offered to all exchanges in the State during Phase 1 with the exception of five (5) exchanges in the Laurens cluster of central offices, i.e. Abbeville, Calhoun Falls, Laurens, McCormick and Woodruff. Because most of these five central offices will not convert to SPC Digital until sometime during 1990, the Company would prefer to postpone Optional USS implementation for these 5 exchanges until January 1991, or Phase 2. A subsequent filing would be prepared later this year to accommodate the addition of these Phase 2 exchanges. Thus, Phase 1 would offer Optional USS to approximately 89% of its South Carolina customer base and Phase 2 would offer USS to the remaining 11% of its customers approximately 5 months later.

7. The Commission finds based on the evidence in the record, that Optional USS is in the public interest and should be approved.

8. The proposed USS rates are based on a monthly access charge that is lower than the current flat rate and usage charges based on frequency of calls, duration of calls, distance of calls, time of day and day of week. These pricing parameters are typical of most optional USS offerings with minute-of-use billing.

9. All measured service customers in South Carolina should be consistently billed on a minute of use basis rather than having

some customers bill for minutes of use and other billed on a per message basis. While the current per message billing for COCOTS and Shared Tenant Service customers does provide for some usage sensitivity, the Company wishes to incorporate the other pricing parameters found in the proposed Optional USS tariff and the current MEAS tariff, i.e. distance sensitivity, duration of calls, time of day, and day of week the calls are placed.

10. There should not be any growth in revenues due to the change from message rate to minute of use billing for these customers. The current per message rate for these customers is 12 cents. Under the proposed minute of use tariff structure an average call length of 4 minutes depending on the distance called would cost 6 to 33 cents during peak hours or 2.4 to 13.2 cents during off peak hours. Therefore, the price difference paid by COCOTS and Shared Tenants Service customers under the proposed minute of use tariff would be subject to each customer's particular mix of peak versus off peak calls each month, the average distance per call, the average duration per call, etc. The anticipated net effect would be revenue neutral.

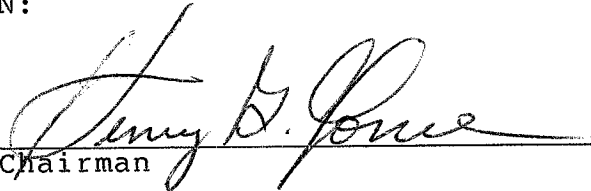
11. The Commission concludes, based on the above findings, that the rates proposed are just and reasonable.

IT IS THEREFORE ORDERED:

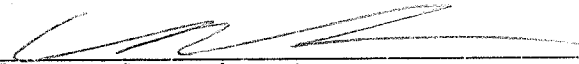
1. That the revised tariff proposed by GTE South, Inc. is hereby approved.

2. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


VICE Chairman

ATTEST:


Deputy Executive Director

(SEAL)